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PAGE 01 STATE 042371
ORIGIN EUR-12

INFO OCT-01 ISO-00 /013 R

66011

DRAFTED BY:EUR/RPE:W H DAMERON

APPROVED BY:EUR/RPE:W H DAMERON

-----067291 171752Z /43

R 170509Z FEB 78

FM SECSTATE WASHDC

INFO AMEMBASSY PARIS 5206

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FOR OECD

FOL MOSCOW 02190 SENT ACTION SECSTATE INFO USDOC LENINGRAD
BELGRADE BERLIN USBERLIN BUCHAREST BUDAPEST HAVANA USNATO
PRAGUE SOFIA WARSAW FEB 14, 1978 REPEATED TO YOU QUOTE

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USDOC FOR BEWT

E.O. 11652: N/A

TAGS: ENRG, EALR, UR

SUBJECT; USSR OIL PRODUCTION

SUMMARY. A SOVIET PETROLEUM MINISTRY OFFICIAL TOLD US
LAST WEEK THAT (1) ACTUAL 1977 PRODUCTION OF CRUDE OIL AND
GAS CONDENSATE WAS 543 MILLION METRIC TONS, (2) ANTICIP-
ATED 1978 PRODUCTION WILL BE IN THE NEIGHBORHOOD OF 567
MMT, AND (3) "REALISTIC ESTIMATE" FOR 1980 IS 620 MMT.
THESE FIGURES ARE IMPORTANT BECAUSE (1) PUBLISHED FIGURE
FOR 1977 WAS 546, SOME 3 MMT HIGHER, (2) 1978 ANNUAL PLAN
GOAL IS 575, OR 8 MMT HIGHER, AND (3) 620 IS THE LOW END
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OF THE FIVE YEAR PLAN GOAL RANGE. THUS MINISTRY OFFICIAL'S
REMARKS -- IF AN ACCURATE REFLECTION OF REAL PRODUCTION --
REPRESENT A SMALL BUT NOTEWORTHY LIMITATION ON SOVIET
PETROLEUM PRODUCTION GROWTH. END SUMMARY.

1. P.A. ARUSHANOV, CHIEF OF FOREIGN RELATIONS DEPARTMENT
OF MINISTRY OF PETROLEUM INDUSTRY, TOLD COMOFF AND

VISITING BEWT/TDAD OFFICER STEIN FEBRUARY 7 THAT SOVIET ACTUAL 1977 OIL PRODUCTION FIGURE FOR CRUDE AND CONDENSATES WAS 543 MILLION METRIC TONS (MT). HE WENT ON TO SAY THAT ANTICIPATED PRODUCTION FOR 1978 WILL BE IN NEIGHBORHOOD OF 567 MILLION MT, AND THAT QUOTE REALISTIC UNQUOTE ESTIMATE FOR 1980 IS 620 MILLION MT, THE LOWER END OF FIVE-YEAR PLAN RANGE. THIS ASSUMES, HE SAID, 23-26 MILLION MT ANNUAL GROWTH RATE.

2. IN RESPONSE TO QUESTION ABOUT DOWNTURN IN SAMOTLOR PRODUCTION, ARUSHANOV SAID THERE IS NO IMMEDIATE SIGN OF SUCH DEVELOPMENT, BUT ADDED THAT OLDER FIELDS IN CASPIAN, NORTH CAUCASUS, AND URALS/VOLGA REGION ARE "LEVELLING OFF." HE SAID MIN/PETROLEUM WORKING TO IMPROVE WATER FLOODING METHODS, I.E. TO USE LESS WATER PER VOLUME OF OIL, AND IS EMPLOYING CHEMICAL SURFACANTS, DETERGENTS, AND ACIDS TO AN INCREASING EXTENT. ON USE OF DOWNHOLE PUMPS, HE SAID PRACTICE WILL BE EXPANDED AND THAT SOVIETS ARE NOW IMPORTING BETWEEN 100 AND 150 UNITS PER YEAR. (FYI: A TOP US COMPANY MAY GET LION'S SHARE OF THAT BUSINESS THIS YEAR. WE UNDERSTAND FROM LOCAL AGENCY REP FOR REDA PUMPS THAT FIRM EXPECTS TO SEND NEGOTIATING TEAM TO MOSCOW IN LATE FEBRUARY HOPEFULLY TO SIGN CONTRACT WITH MASHINO-IMPORT FOR 120 HIGH CAPACITY SUBMERSIBLE ELECTRIC PUMPS IN THREE SIZES. LAST MAJOR SOVIET PURCHASE OF REDA PUMPS WAS IN 1975 FOR \$20 MILLION WORTH. THIS SALE, IF IT GOES LIMITED OFFICIAL USE

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THROUGH - AND THERE IS STILL A CONSIDERABLE WAY TO GO IN COMING TO FINAL TERMS, ACCORDING TO FIRM REP - WOULD REPRESENT ABOUT \$12 MILLION WORTH OF EQUIPMENT. PUMPS REPORTEDLY WOULD BE USED IN WESTERN SIBERIAN FIELDS. END FYI).

3. COMMENT. ARUSHANOV'S FIGURES -- IF AN ACCURATE REFLECTION OF REAL PRODUCTION -- REPRESENT A SMALL BUT NOTEWORTHY LIMITATION ON SOVIET PETROLEUM PRODUCTION GROWTH. HIS FIGURE FOR 1977 PRODUCTION IS 3 MMT BELOW THE PUBLISHED ONE OF 546 (BUT IT IS MORE CONSISTENT WITH 11 MONTH FIGURE OF 499MMT). HIS ANTICIPATED 1978 PRODUCTION IS 8 MMT BELOW THE 1978 ANNUAL PLAN GOAL OF 575. HIS "REALISTIC ESTIMATE" OF 620 MMT FOR 1980 IS, AS HE HIMSELF SAID, THE LOWER END OF THE FYP GOAL RANGE. MOREOVER, IT WOULD REQUIRE AN AVERAGE OF A 26 MMT INCREASE IN PRODUCTION IN 1979 AND AGAIN IN 1980 -- A VOLUME OF INCREASE THAT HAS NOT BEEN REACHED SINCE 1975 AND ONE THAT WOULD PROBABLY HAVE TO BE ACHIEVED IN THE FACE OF DECLINING PRODUCTION EXCEPT IN WESTERN SIBERIA. MATLOCK UNQUOTE VANCE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM PRODUCTION, NATURAL GAS
Control Number: n/a
Copy: SINGLE
Draft Date: 17 feb 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE042371
Document Source: CORE
Document Unique ID: 00
Drafter: EUR/RPE:W H DAMERON
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780074-0448
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780240/aaaabhkr.tel
Line Count: 114
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 35e1a2d4-c288-dd11-92da-001cc4696bcc
Office: ORIGIN EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3557838
Secure: OPEN
Status: NATIVE
Subject: ; USSR OIL PRODUCTION SUMMARY. A SOVIET PETROLEUM MINISTRY OFFICIAL TOLD US LAST WEEK THAT (1) ACTUAL 1977 PRODUCTION OF CRUDE
TAGS: ENRG, EALR, UR
To: PARIS USOECD
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/35e1a2d4-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014